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AUDITS

**SACRAMENTO EMPLOYMENT
AND TRAINING AGENCY**

**INDEPENDENT AUDITOR'S REPORT
AND FINANCIAL STATEMENTS**

FOR THE YEAR ENDED JUNE 30, 2008

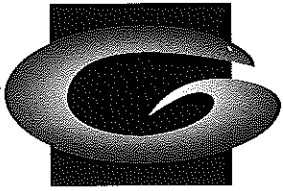
SACRAMENTO EMPLOYMENT AND TRAINING AGENCY

FINANCIAL STATEMENTS AND SINGLE AUDIT REPORT FOR THE YEAR ENDED JUNE 30, 2008

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FINANCIAL SECTION



Gilbert Associates, Inc.
CPAs and Advisors

INDEPENDENT AUDITOR'S REPORT

**Governing Board
Sacramento Employment and Training Agency
Sacramento, California**

We have audited the accompanying financial statements of the governmental activities and each major fund of the Sacramento Employment and Training Agency (SETA) as of and for the year ended June 30, 2008, which collectively comprise SETA's basic financial statements as listed in the table of contents. These financial statements are the responsibility of SETA's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

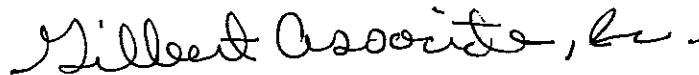
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Sacramento Employment and Training Agency, as of June 30, 2008, and the respective changes in financial position, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2008, on our consideration of SETA's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Governing Board
Sacramento Employment and Training Agency
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The Management's Discussion and Analysis on pages 3 through 8 and the budgetary comparison information on page 24 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise SETA's basic financial statements. The accompanying schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements of SETA. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



GILBERT ASSOCIATES, INC
Sacramento, California

November 12, 2008

Management's Discussion and Analysis

This section of the Sacramento Employment and Training Agency's (SETA) financial statements presents a discussion and analysis of SETA's financial performance during the fiscal year ended June 30, 2008. Please read it in conjunction with the basic financial statements included in this report.

FINANCIAL HIGHLIGHTS

- As of June 30, 2008, SETA reported a combined fund balance of \$827,435, an increase of \$26,978 from last year.
- SETA's investment in capital assets decreased by \$363,707.
- A subsidised employee benefits plan was approved on an annual basis by SETA's Governing Board for employees retired before August 31, 2007.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to SETA's basic financial statements. SETA's basic financial statements consist of three components 1) **Government-wide** financial statements; 2) **Fund** financial statements and 3) **Notes** to the basic financial statements.

Government-wide Financial Statements are designed to provide readers with a broad overview of SETA's finances, in a manner similar to a private sector business. The Statement of Net Assets presents information on all SETA's assets and liabilities, with the differences between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of SETA is improving or deteriorating. The Statement of Activities presents information showing how net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

Both of these government-wide financial statements distinguish functions of SETA that are 100% supported by grants received and contracts for service. The governmental activities of SETA include Head Start/Early Head Start, Workforce Development, Refugee Employment Social Services, Child Care Food Program, State Department of Education Programs, Community Services Block Grant, Targeted Refugee Assistance, Youth Crime Prevention, CalWORKS, Casey Family Programs, and Employment Training Panel Services. SETA does not engage in any business type activities.

Government-wide financial statements may be found on pages 9 and 10 of this report.

Fund Financial Statements are groupings of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. SETA uses fund accounting to ensure and demonstrate finance-related legal compliance. SETA maintains one governmental fund, the General Fund.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements focus on near term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. Both the governmental fund balance sheet and the governmental fund statement of revenue, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental fund and governmental activities.

The governmental funds financial statements may be found on pages 11-14 of this report.

Notes to the Basic Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes may be found on pages 15-22 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of a government's financial position. In the case of SETA, assets exceeded liabilities by \$2,700,158 at the close of the most recent fiscal year.

Statement of Net Assets June 30, 2008

	2008	2007
Assets:		
Other Assets	\$ 9,135,550	\$ 11,282,634
Capital Assets	<u>1,872,723</u>	<u>2,236,430</u>
Total Assets	<u>\$ 11,008,273</u>	<u>\$ 13,519,064</u>
Liabilities:		
Other Liabilities	<u>\$ 8,308,115</u>	<u>\$ 10,482,177</u>
Total Liabilities	<u>\$ 8,308,115</u>	<u>\$ 10,482,177</u>
Net Assets:		
Invested in capital assets	\$ 1,872,723	\$ 2,236,430
Restricted and Unrestricted	<u>827,435</u>	<u>800,457</u>
Total Net Assets	<u>\$ 2,700,158</u>	<u>\$ 3,036,887</u>
Liabilities and Net Assets	<u><u>\$ 11,008,273</u></u>	<u><u>\$ 13,519,064</u></u>

Of SETA's total net assets of \$2,700,158, 69% or \$1,872,723 reflects the investment in capital assets. There is no debt associated with these capital assets. Total net assets decreased by \$336,729 during the current fiscal year. The decrease in net assets invested in capital assets represents capital purchases net of depreciation.

Statement of Activities. SETA's grants and contract activities decreased net assets by \$336,729. The table below indicates the changes in net assets:

Statement of Activities
For the Year Ended June 30, 2008

	2008	2007
Revenues:		
Operating Grants and Contracts	\$ 91,618,395	\$ 83,914,435
Unrestricted Investment Earnings	26,978	34,446
Total Revenue	<u>\$ 91,645,373</u>	<u>\$ 83,948,881</u>
Expenses:		
Operating Grant Activities	<u>\$ 91,982,102</u>	<u>\$ 84,592,867</u>
	\$ 91,982,102	\$ 84,592,867
Change in net assets	\$ (336,729)	\$ (643,986)
Total net assets, beginning of year	<u>3,036,887</u>	<u>3,680,873</u>
Total net assets, end of year	<u>\$ 2,700,158</u>	<u>\$ 3,036,887</u>

SETA's revenues are received from federal, state, and local grants and contracts. Revenues are received on a cost reimbursement basis; expenses are usually equal to revenue.

FINANCIAL ANALYSIS OF SETA'S FUNDS

As noted earlier, SETA uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. SETA is a joint powers agency of the County of Sacramento and the City of Sacramento. The County manages most financial functions for SETA including vendor payments, and investment activities.

Governmental funds. The program functions for SETA are recorded in the General fund. Interest income received from the County for unrestricted funds held at the County is added to SETA's unrestricted fund balances. However, these funds must be distributed to the funding sources whose fund balances are attributed to interest income earned.

As of June 30, 2008, SETA reported a total fund balance of \$827,435, which is an increase of \$26,978 compared to total fund balance of \$800,457 at June 30, 2007. SETA has a reserved fund balance equal to the authorized amounts in their custodial checking accounts plus any prepaid expenses.

Revenue Analysis. Total revenue received for the year ended June 30, 2008, totaled \$91,645,373. The table below presents the amounts of revenue and the percent of total by source for FYE 2008 and FYE 2007.

**Revenues Classified by Source
Governmental Funds**

Revenues by Source	FYE 2008 <u>Amount</u>	Percent <u>of Total</u>	FYE 2007 <u>Amount</u>	Percent <u>of Total</u>	Increase/ <u>(Decrease)</u>	Percent <u>Change</u>
Grant revenue	\$ 67,955,864	74.2%	\$ 64,185,647	76.5%	\$ 3,770,217	5.9%
Child care food reimbursements	1,682,051	1.8%	1,265,950	1.5%	416,101	32.9%
Intergovernmental	5,482,864	6.1%	4,005,630	5.3%	1,477,234	36.9%
Investment income	140,865	0.2%	245,648	0.3%	(104,783)	(42.7)%
Miscellaneous income	306,193	0.1%	518,863	0.1%	(212,670)	(41.0)%
In-Kind contributions	16,077,536	17.6%	13,727,323	16.3%	2,350,213	17.1%
Total revenues	\$ 91,645,373	100.0%	\$ 83,948,881	100.0%	\$ 7,696,487	9.2%

The following provides an explanation of revenues by fund that changed significantly over the prior year.

- Child care food reimbursements increased dramatically due to restructuring and maintaining enrollment in Head Start classrooms. In addition, CACFP income guidelines changed increasing eligibility for child care food reimbursements.
- Head Start In-Kind contributions increased by \$2,350,213 due to improved tracking of eligible in-kind contributions and increased reporting by delegate agencies.
- SETA received a one-stop career center share of cost payment from the Department of Human Assistance at year end in 2008 of \$2,600,000. This increased the revenue and decreased the expenditures in Workforce Development, Refugee Employment Services, Targeted Refugee Assistance, and Community Services Block Grant funds.

Expense Analysis. Expenditures for the year ended June 30, 2008, totaled \$91,618,395. The table below presents the expenditures summarized by granting source.

Expenditures Classified by Grantor
Governmental Fund

Expenditures by Grantor	FYE 2008 <u>Amount</u>	Percent <u>of Total</u>	FYE 2007 <u>Amount</u>	Percent <u>of Total</u>	Increase/ (Decrease)	Percent <u>Change</u>
Head Start/Early Head Start	\$ 62,385,648	68.1%	\$ 57,572,185	68.6%	\$ 4,813,463	8.4%
Workforce Development	12,219,224	13.3%	11,299,005	13.5%	920,219	8.1%
Refugee Employment Services	1,549,023	1.7%	1,807,569	2.2%	(258,546)	(14.3%)
Child Care Food Program	1,684,967	1.8%	1,265,950	1.5%	419,017	33.1%
State Department of Education Program	3,952,602	4.4%	3,870,357	4.6%	82,245	2.1%
Community Services Block Grant	2,008,506	2.2%	1,859,128	2.2%	149,378	8.0%
Targeted Refugee Assistance Program	1,737,139	1.9%	1,471,381	1.8%	265,758	18.1%
CalWORKS	3,672,420	4.0%	3,647,191	4.3%	25,229	0.7%
Casey Family Programs	97,740	0.1%	206,308	0.2%	(108,568)	(52.6%)
Youth Crime Prevention	498,158	0.5%	323,141	0.4%	175,017	54.2%
Los Rios Projects	257,616	0.3%	103,028	0.1%	154,588	150.0%
Employment Training Panel	1,208,751	1.3%	489,068	0.6%	719,683	147.2%
Cal Trans Training Initiative	-	0.0%	124	0.0%	(124)	(100.0%)
Other	346,601	0.3%	-	0.0%	346,601	100.0%
Total expenditures	\$ 91,618,395	100.0%	\$ 83,914,435	100.0%	\$ 7,703,960	9.2%

The following provides an explanation of expenses by fund that changed significantly over the prior year.

- All program costs increased due to a negotiated increase in salary and benefits and increased program costs associated with fuel and maintenance.
- The Head Start program expended 8% more of its total grant in 2008 than 2007 due to a negotiated increase in salary and benefits, increased program costs, and program restructuring and enrollment.
- The Head Start grant requires a grantee to report and record in-kind contributions from the community. The amount of in-kind contributions reported increased by \$2,350,213 due to improved tracking of eligible in-kind contributions and increased reporting by delegate agencies. The amount reported for in-kind contributions was \$16,077,536 in 2008 and \$13,727,323 in 2007.

The table below presents the expenditures summarized by type.

**Expenditures Classified by Type
Governmental Fund
For Year Ended June 30, 2008**

Expenditures by Type	FYE 2008 <u>Amount</u>	Percent <u>of Total</u>	FYE 2007 <u>Amount</u>	Percent <u>of Total</u>
Salaries	\$ 23,539,354	25.7%	\$ 21,818,857	26.0%
Fringe Benefits	10,599,226	11.6%	9,342,212	11.1%
Space Costs	3,551,409	3.9%	3,095,181	3.7%
Services & Supplies	6,431,055	7.0%	6,077,385	7.2%
Fixed Assets	242,727	0.3%	235,698	0.3%
Subrecipient Costs	31,177,088	34.0%	29,617,778	35.3%
In Kind Match	16,077,536	17.5%	13,727,323	16.4%
Total Expenses	<u>\$ 91,618,395</u>	<u>100.0%</u>	<u>\$ 83,914,434</u>	<u>100.0%</u>

As noted above, SETA's largest expenses are subrecipient costs, staff salaries, and fringe benefits. Staff received a 4.0% COLA in November of 2007 affecting the rest of fiscal year 2008. The Head Start In-Kind match has no financial impact on the agency and serves only as a reporting item.

GENERAL FUND BUDGETARY HIGHLIGHTS

SETA's original budget of \$70,687,374 was revised on April 3, 2008 to \$77,494,481. The increase of \$6,807,107 was due to the increased expenses relating to a negotiated increase in salary and benefits and increased program costs associated with fuel and maintenance. SETA's budget does not include Head Start In Kind required match or child care food programs.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

SETA's investment in capital assets as of June 30, 2008, amounted to \$1,872,723 (net of accumulated depreciation).

Debt Administration

SETA has no long-term debt obligation.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

SETA's budget for next year will vary based on final allocated funding by the Department of Labor under the Workforce Investment Act. Workforce Development is attempting to diversify the funding base and has received grants from CalTrans and Federal Discretionary funds. SETA has negotiated an agreement with employees to increase salaries as of June 22, 2008 and health care benefits as of January 1, 2009.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of SETA's finances for all those with an interest in the agency's finances. Questions concerning any information provided in this report or requests for additional financial information should be addressed to Sacramento Employment and Training Agency, Fiscal Department, 925 Del Paso Blvd., Suite 100, Sacramento, CA 95815.

SACRAMENTO EMPLOYMENT AND TRAINING AGENCY

STATEMENT OF NET ASSETS JUNE 30, 2008

ASSETS

Cash and investments	\$ 4,164,878
Accounts receivable	4,970,672
Capital assets, net	<u>1,872,723</u>

Total assets	<u>11,008,273</u>
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LIABILITIES

Liabilities:

Accounts payable	4,709,209
Accrued liabilities	2,228,549
Unearned revenue	<u>1,370,357</u>

Total liabilities	<u>8,308,115</u>
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NET ASSETS

Invested in capital assets	1,872,723
Unrestricted	<u>827,435</u>

Total net assets	<u>\$ 2,700,158</u>
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The notes to the financial statements are an integral part of this statement.

SACRAMENTO EMPLOYMENT AND TRAINING AGENCY

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2008

Functions/Programs	Expenses	Program Revenue Operating Grants and Contracts	Net (Expense) Revenue Total Governmental Activities
Head Start/Early Head Start	\$ 62,266,934	\$ 62,385,648	\$ 118,714
Workforce Development	12,492,184	12,219,224	(272,960)
Refugee Employment Social Services	1,563,995	1,549,023	(14,972)
Child Care Food Programs	1,684,967	1,684,967	
State Department of Education	4,034,757	3,952,602	(82,155)
Community Services Block Grant	2,051,110	2,008,506	(42,604)
Targeted Refugee Assistance	1,764,670	1,737,139	(27,531)
CalWORKS	3,700,822	3,672,420	(28,402)
Casey Family Programs	97,740	97,740	
Youth Crime Prevention	509,448	498,158	(11,290)
Los Rios Projects	257,616	257,616	
Employment Training Panel	1,210,346	1,208,751	(1,595)
Other	347,513	346,601	(912)
Total Governmental Activities	<u>\$ 91,982,102</u>	<u>\$ 91,618,395</u>	(363,707)
General Revenue:			
Unrestricted Investment Earnings			26,978
Change in net assets			(336,729)
Net assets, beginning of year			<u>3,036,887</u>
Net assets, end of year			<u>\$ 2,700,158</u>

The notes to financial statements are an integral part of this statement.

SACRAMENTO EMPLOYMENT AND TRAINING AGENCY

BALANCE SHEET GOVERNMENTAL FUND JUNE 30, 2008

ASSETS

Cash and investments	\$ 4,164,878
Accounts receivable	<u>4,970,672</u>

Total assets	<u>\$ 9,135,550</u>
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LIABILITIES AND FUND BALANCE

Liabilities:

Accounts payable	\$ 4,709,209
Accrued expenditures	2,228,549
Deferred revenue	<u>1,370,357</u>

Total liabilities	<u>8,308,115</u>
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Fund balance:

Reserved	152,760
Unreserved	<u>674,675</u>
Total fund balance	<u>827,435</u>

Total liabilities and fund balance	<u>\$ 9,135,550</u>
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SACRAMENTO EMPLOYMENT AND TRAINING AGENCY

RECONCILIATION OF GOVERNMENTAL FUND BALANCE TO THE STATEMENT OF NET ASSETS FOR THE YEAR ENDED JUNE 30, 2008

Amounts reported for governmental activities in the
statement of net assets are different because:

Total fund balance, governmental fund	\$ 827,435
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Capital assets used in governmental activities are not financial resources and , therefore are not reported in the governmental funds. The historical cost of the capital assets is \$10,767,287, and the accumulated depreciation is \$8,894,564.	<u>1,872,723</u>
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Total net assets, governmental activities	<u>\$ 2,700,158</u>
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SACRAMENTO EMPLOYMENT AND TRAINING AGENCY

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE GOVERNMENTAL FUND FOR THE YEAR ENDED JUNE 30, 2008

REVENUES

Grant revenue	\$ 67,955,864
Child care food reimbursements	1,682,051
Intergovernmental	5,482,864
Investment income	140,865
Miscellaneous Income	306,193
In-Kind contributions	16,077,536
Total revenues	<u>91,645,373</u>

EXPENDITURES

Head Start/Early Head Start	62,385,648
Workforce Development	12,219,224
Refugee Employment Services	1,549,023
Child Care Food Program	1,684,967
State Department of Education Program	3,952,602
Community Services Block Grant	2,008,506
Targeted Refugee Assistance Program	1,737,139
CalWORKS	3,672,420
Casey Family Programs	97,740
Youth Crime Prevention	498,158
Los Rios Project	257,616
Employment Training Panel	1,208,751
Other	346,601
Total expenditures	<u>91,618,395</u>

Excess of revenues over expenses	<u>26,978</u>
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Net increase in fund balance	26,978
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Fund balance, July 1, 2007	<u>800,457</u>
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Fund balance, June 30, 2008	<u>\$ 827,435</u>
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SACRAMENTO EMPLOYMENT AND TRAINING AGENCY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE OF THE GOVERNMENTAL FUND
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008

Amounts reported for governmental activities in the
statement of activities are different because:

Net increase in Fund Balance Governmental Fund	\$ 26,978
Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense (\$954,855) exceeds capital outlay (\$591,148) in the period.	<u>(363,707)</u>
Change in net assets of governmental activities	<u>\$ (336,729)</u>

SACRAMENTO EMPLOYMENT AND TRAINING AGENCY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2008

1. SIGNIFICANT ACCOUNTING POLICIES

The Reporting Entity

The Sacramento Employment and Training Agency (SETA) was organized in 1978 and operates under a joint powers agreement between the City and County of Sacramento. SETA administers human service programs with financial assistance provided by the Federal and State governments and private sources.

Basis Of Presentation

Government-wide financial statements – The statement of net assets and the statement of activities display information about SETA as a whole. These statements include the financial activities of the primary government.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of SETA's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. SETA allocates indirect expenses to functions in the statement of activities based on allowable formulas approved by granting agencies. Program revenues include grants and contributions that are restricted to meeting the operations of a particular program. Revenues which are not classified as program revenues are presented as general revenues of SETA. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenue of SETA which is unrestricted investment earnings.

Fund financial statements – Fund financial statements report more detailed information about SETA. The focus of governmental fund financial statements is on major funds rather than reporting funds by type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds include a Balance Sheet, which generally includes only current assets and current liabilities, and a Statement of Revenues, Expenditures, and Changes in Fund Balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

SACRAMENTO EMPLOYMENT AND TRAINING AGENCY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2008

SETA maintains one major governmental fund, the General Fund. The General Fund is used to account for the operations of SETA. Generally, the proceeds of specific revenue sources are restricted to expenditures for specific purposes.

Basis Of Accounting

Basis of accounting refers to when transactions are recorded in the financial records and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental fund financial statements use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current fiscal period. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. For SETA, "available" means collectible within the current period or within sixty days after year end, depending on revenue source. Expenditures are recognized in the accounting period in which the liability is incurred (when goods are received or services rendered). Many of SETA's programs are funded by "cost-reimbursement" grants from Federal and State agencies. For those grants, revenue is recognized as earned when the related expenditures are incurred.

When both restricted and unrestricted resources are available for use, it is SETA's policy to use restricted resources first, then unrestricted resources as they are needed.

Budgetary Information

SETA's annual expenditure budget is approved by SETA's Governing Board and adopted for SETA through the City and County of Sacramento's executive and legislative process. SETA is not authorized to exceed total budgeted expenditures. Any amendments that increase total budgeted expenditures must be approved by the Governing Board, as well as the City and County of Sacramento. The budget presented in the Statement of Expenditures - Budget (GAAP Basis) and Actual - General Fund is the final budget.

Capital Assets

Capital assets are those purchased or acquired with an original cost of \$5,000 or more and are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on a straight-line basis over the following estimated useful lives:

<u>Asset Class</u>	<u>Years</u>
Buildings	30
Machinery and Equipment	5

SACRAMENTO EMPLOYMENT AND TRAINING AGENCY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2008

Compensated Absences

Accumulated unpaid employee vacation benefits are recognized as liabilities of SETA on the fund financial statements.

2. CASH AND INVESTMENTS

Cash and investments as of June 30, 2008 are classified in the accompanying financial statements as follows:

Cash and Investments in Sacramento County Treasury	\$ 4,012,118
Cash on hand	<u>152,760</u>
Total cash and investments	<u>\$ 4,164,878</u>

Cash in County Treasury

The County of Sacramento Treasury (the Treasury) acts as a bank for most of SETA's cash transactions. Cash receipts are deposited and warrants drawn against the balance of SETA's cash on deposit. Under Board resolution, excess cash balances are invested in the County of Sacramento's external investment pool. Interest income is prorated to SETA based on the average cash balance maintained in the pool. Interest earned on grant funds is remitted to the grantors or used for program purposes. The County of Sacramento Treasurer's investment pool is subject to regulatory oversight by the Treasury Oversight Committee, as required by California Government Code Section 27134. The value of the pool shares which may be withdrawn is determined on an amortized cost basis, which may be different than the fair value of SETA's position in the pool.

Participants' equity in the investment pool is determined by the dollar amount of the participant deposits, adjusted for withdrawals and distributed income. This method differs from the fair value method used to value investments in these financial statements in that unrealized gains or losses are not distributed to pool participants.

The Treasury is authorized to deposit cash and invest excess funds by California Government Code Section 53648 et seq. The funds maintained by the Treasury are either secured by federal depository insurance or are collateralized.

The Treasury is restricted by Government Code Section 53635, pursuant to Section 53601, to invest in time deposits; U.S. government securities; state registered warrants, notes, or bonds; the State Treasurer's investment pool; bankers' acceptances; commercial paper; negotiable certificates of deposit; and repurchase or reverse repurchase agreements.

The investment policy and a number of reports regarding investment positions and performance of the external investment pool are available at the County of Sacramento webpage.

SACRAMENTO EMPLOYMENT AND TRAINING AGENCY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2008

Investments Authorized by SETA's Investment Policy

By Board resolution, SETA has adopted the investment policy of the County of Sacramento external investment pool. The table below identifies the investment types authorized for SETA by the California Government Code Section 53601. This table also identifies certain provisions of the California Government Code that address interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. Treasury Notes and Agency Obligations	5 years	100%	None
Bonds issued by Local Agencies	5 years	80%	10%
Registered State Warrants and Municipal Notes	5 years	80%	10%
Bankers Acceptances	180 Days	40%	10%
Commercial Paper	270 days	40%	10%
Negotiable Certificates of Deposit	180 days	30%	10%
CRA Bank Deposits/Certificates of Deposit	1 year	30%	10%
Repurchase Agreements	1 year	30%	10%
Reverse Repurchase Agreements	92 days	20%	10%
Medium-Term Corporate Notes	180 days	30%	10%
Shares of a Money Market Mutual Fund	90 days	20%	10%
Collateralized Mortgage Obligations	180 days	20%	10%
Local Agency Investment Funds (LAIF)	N/A	N/A	\$40 million

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the fair values of investments with longer maturities have a greater sensitivity to changes in market interest rates. As of June 30, 2008, the weighted average maturity of the investments contained in the Treasury investment pool is approximately 210 days.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Treasury investment pool does not have a rating provided by a nationally recognized statistical rating organization.

Derivative Investments

SETA did not directly enter into any derivative investments. Information regarding the amount invested in derivatives by the Treasury was not available.

SACRAMENTO EMPLOYMENT AND TRAINING AGENCY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2008

3. ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following as of June 30, 2008:

	<u>General Fund</u>
Federal government	\$ 2,824,488
State government	1,543,008
Local government	517,113
Miscellaneous	<u>86,063</u>
Totals	<u>\$ 4,970,672</u>

4. CAPITAL ASSETS

The changes in capital assets (which consists primarily of office and program related equipment) were as follows:

	<u>Balance July 1, 2007</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2008</u>
Capital assets, not being depreciated:				
Land	\$ 66,308			\$ 66,308
Capital assets, being depreciated:				
Building	297,910			297,910
Machinery and equipment	<u>9,944,955</u>	\$ 591,148	\$ (133,034)	<u>10,403,069</u>
Total capital assets, being depreciated	<u>10,242,865</u>	<u>591,148</u>	<u>(133,034)</u>	<u>10,700,979</u>
Less accumulated depreciation for:				
Building	(39,721)	(9,931)		(49,652)
Machinery and equipment	<u>(8,033,022)</u>	<u>(944,924)</u>	<u>133,034</u>	<u>(8,844,912)</u>
Total accumulated depreciation	<u>(8,072,743)</u>	<u>(954,855)</u>	<u>133,034</u>	<u>(8,894,564)</u>
Total capital assets, being depreciated	<u>2,170,122</u>	<u>(363,707)</u>		<u>1,806,415</u>
Governmental activities capital assets, net	<u>\$ 2,236,430</u>	<u>\$ (363,707)</u>	<u>\$</u>	<u>\$ 1,872,723</u>

SACRAMENTO EMPLOYMENT AND TRAINING AGENCY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2008

For the year ended June 30, 2008, depreciation expense was charged to functions as follows:

Governmental activities:

Head Start	\$ 472,434
WIA	272,960
CDE	82,155
CSBG	42,604
CalWORKS	28,402
Targeted Assistance	27,530
RESS	14,972
Youth Crime Prevention	11,289
Employment Training Panel	1,594
Other	<u>915</u>
Total depreciation expense	\$ <u>954,855</u>

5. OPERATING LEASE OBLIGATIONS

SETA leases certain office space under noncancellable operating lease agreements. Total lease payments for the year were \$3,144,323. Future minimum lease payments are as follows:

<u>Year Ending June 30,</u>	<u>Total</u>
2009	\$ 2,990,682
2010	2,587,551
2011	2,308,293
2012	2,105,106
2013	1,951,536
2014-2018	<u>6,925,710</u>
Total	\$ <u>18,868,878</u>

6. RESERVATION OF FUND BALANCE

Reserved fund balance represents those amounts that are not available for appropriation in future periods. At June 30, 2008 SETA has reserved \$152,760 for imprest cash.

SACRAMENTO EMPLOYMENT AND TRAINING AGENCY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2008

7. EMPLOYEE RETIREMENT PLAN

Plan Description

The Sacramento County Employees Retirement System (SCERS) is a cost-sharing multiple-employer defined benefit pension plan governed by the County of Employees' Retirement Law of 1937. The plan covers substantially all of the employees of SETA.

The plan provides retirement, disability, and death benefits based on employees' years of service, age and final compensation. Employees vest after five years of service and may receive retirement benefits at age 50 (with at least 10 years of service) or after 30 years of service. These benefit provisions and all other requirements are established and may be amended by State statute and Sacramento County ordinance.

SCERS issues a stand-alone financial report, which is available at its office, located in Sacramento, California.

Funding Policy

Pursuant to provisions of the 1937 Act, the Retirement Board recommends the annual contribution rates for adoption by the County Board of Supervisors. The contribution requirements are determined as a percentage of payroll.

The "entry age normal funding" method is used to calculate the rate required to provide all the benefits promised to a new member.

Active plan members are required to contribute an actuarially determined percentage of their annual covered salary. The required percentages vary according to the benefit section and entry age of the employee.

The SCERS is divided into three separate benefit sections of the 1937 Act. These sections are known as: General – Tier I, General – Tier II and General – Tier III. SETA employer rates of the contribution, calculated as a percentage of SETA's covered payroll of \$23,394,201 for the year ended June 30, 2008 were:

General Members, Tier I	22.27%
General Members, Tier III	22.14%

SACRAMENTO EMPLOYMENT AND TRAINING AGENCY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2008

The following table shows SETA's required contributions and the percentage contributed, for the current year and the two preceding years:

<u>Fiscal Year</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2006	\$ 3,900,942	100%
2007	\$ 4,619,500	100%
2008	\$ 4,949,182	100%

8. COMMITMENTS AND CONTINGENCIES

SETA has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is management's opinion that any required reimbursements would not be material.

The premium cost of SETA's workman's compensation insurance coverage is subject to annual adjustment based on SETA's loss experience. At the present time, the amount of this adjustment, if any, is not determinable.

9. RELATED PARTY TRANSACTIONS

During the current year, the County of Sacramento Department of Human Assistance provided funding in the amount of \$2,600,000 for the operation of SETA's "one-stop" employment centers. Through its banking relationship with the County of Sacramento Treasury, substantially all of SETA's cash receipts and payment transactions are processed by the County. During 2008, the County charged fees of \$66,156 for these services.

10. MATCHING FUNDING AND NON-MONETARY EXCHANGES

SETA operates Head Start programs for the City and County of Sacramento under a grant from the Federal government. Under the terms of that grant, SETA and its delegate agencies are required to provide matching funding equal to 25% of the grant. During the current year, the amount of the matching funding provided is \$16,077,536 which is 34.7% of the expenditures funded by the grant.

Some matching funds are provided in the form of non-monetary items such as parent involvement hours and use of delegate agency facilities at below-market rents. The value of these non-monetary exchanges is determined using market measures of value.

SACRAMENTO EMPLOYMENT AND TRAINING AGENCY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2008

11. RISK MANAGEMENT

SETA is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. SETA purchased insurance coverage for commercial property, commercial general liability, commercial auto, fiduciary liability, directors and officers liability, employment practices liability, umbrella coverage, workers compensation, and employee dishonesty.

12. USES OF ESTIMATES TO PREPARE FINANCIAL STATEMENTS

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were assumed in preparing the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

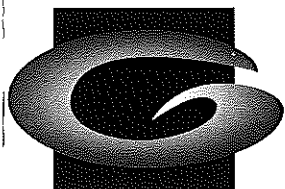
SACRAMENTO EMPLOYMENT AND TRAINING AGENCY

STATEMENT OF ACTIVITIES BUDGET AND ACTUAL - GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2008

Functions/Programs	Expenditures			Variance Positive (Negative)
	Original Budget	Final Budget	Actual	
Head Start/Early Head Start	\$ 60,665,461	\$ 63,352,921	\$ 62,385,648	\$ 967,273
Workforce Development	14,303,922	14,242,667	12,219,224	2,023,443
Refugee Employment Social Services	1,570,576	1,900,709	1,549,023	351,686
Child Care Food Programs	1,684,967	1,684,967	1,684,967	
State Department of Education	3,337,716	3,741,120	3,952,602	(211,482)
Community Services Block Grant	1,783,063	1,810,736	2,008,506	(197,770)
Targeted Refugee Assistance	1,777,017	2,859,099	1,737,139	1,121,960
CalWORKS	1,328,796	3,428,796	3,672,420	(243,624)
Casey Family Programs	137,685	137,685	97,740	39,945
Youth Crime Prevention	623,389	623,389	498,158	125,231
Los Rios Projects			257,616	(257,616)
Employment Training Panel	724,131	1,237,397	1,208,751	28,646
Other	<u>513,154</u>	<u>237,498</u>	<u>346,601</u>	<u>(109,103)</u>
Total Governmental Activities	<u>\$ 88,449,877</u>	<u>\$ 95,256,984</u>	<u>\$ 91,618,395</u>	<u>\$ 3,747,692</u>

Note: No expenditures exceeded allowable grant funds for this period.

SINGLE AUDIT SECTION



Gilbert Associates, Inc.
CPAs and Advisors

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Governing Board
Sacramento Employment and Training Agency
Sacramento, California

We have audited the financial statements of the governmental activities and each major fund of the Sacramento Employment and Training Agency (SETA) as of and for the year ended June 30, 2008, which collectively comprise SETA's basic financial statements, and have issued our report thereon dated November 12, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered SETA's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the SETA's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of SETA's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies. ✓

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects SETA's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of SETA's financial statements that is more than inconsequential will not be prevented or detected by SETA's internal control. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by SETA's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, the significant deficiency described in the accompanying Schedule of Findings and Questioned Costs, item 08-1 is considered to be a material weakness. ✓

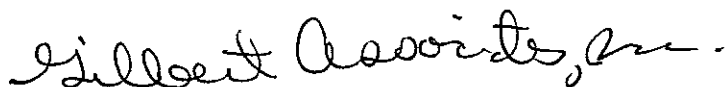
Compliance and Other Matters

As part of obtaining reasonable assurance about whether SETA's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain additional matters that we reported to management of SETA in a separate letter dated November 12, 2008. ✓

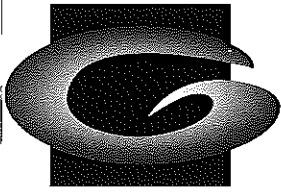
SETA's response to the finding identified in our audit described in the accompanying schedule of Findings and Questioned Costs. We did not audit SETA's response and, accordingly, we express no opinion on it

This report is intended solely for the information and use of SETA's Governing Board, management, federal awarding agencies, and pass-through agencies, and is not intended to be and should not be used by anyone other than these specified parties.



GILBERT ASSOCIATES, INC.
Sacramento, California

November 12, 2008



Gilbert Associates, Inc.
CPAs and Advisors

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

**Governing Board
Sacramento Employment and Training Agency
Sacramento, California**

Compliance

We have audited the compliance of Sacramento Employment and Training Agency (SETA) with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. SETA's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of SETA's management. Our responsibility is to express an opinion on SETA's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about SETA's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on SETA's compliance with those requirements.

In our opinion, SETA complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2008. The results of our auditing procedures disclosed no instances of noncompliance with those requirements that is required to be reported in accordance with OMB Circular A-133. ✓

Internal Control Over Compliance

The management of SETA is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered SETA's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of SETA's internal control over compliance.

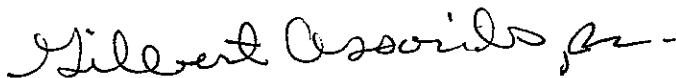
Our consideration of the internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies. ✓

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management of employees, in the normal course of performing their assigned functions to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. The significant deficiency described in the accompanying Schedule of Findings and Questioned Costs, item 08-1 is considered to be a material weakness. ✓

SETA's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit SETA's response and, accordingly, we express no opinion on it. ✓

This report is intended solely for the information and use of SETA's Governing Board, management, federal awarding agencies, and pass-through agencies, and is not intended to be and should not be used by anyone other than these specified parties.



GILBERT ASSOCIATES, INC
Sacramento, California

November 12, 2008

SACRAMENTO EMPLOYMENT AND TRAINING AGENCY
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2008

	<u>CFDA#</u>	<u>Grant Number</u>	<u>Expenditures</u>
U.S. DEPARTMENT OF AGRICULTURE			
Passed-Through California Department of Education:			
Program Name:			
Child Care Food Program	10.558	34-1826-1-J	\$ 1,684,967
Total U.S. Department of Agriculture			<u>1,684,967</u>
U.S. DEPARTMENT OF LABOR			
Passed-Through California Employment Development Department:			
Program Name:			
WIA Title I Adult Formula #2	17.258	R760343-202	449,133
WIA Adult Recap	17.258	R760343-203	3,799
WIA Adult #2	17.258	R865479-202	2,214,716
WIA Adult	17.258	R865479-201	<u>583,007</u>
Total WIA Adult Programs			<u>3,250,655</u>
Program Name:			
WIA Title I Youth Formula	17.259	R760343-301	459,964
WIA Title I Youth Formula	17.259	R760343-302	374,440
WIA Title I Youth Formula	17.259	R865479-302	2,182,656
WIA Title I Youth Formula	17.259	R865479-301	899,117
WIA 15% At Risk Youth	17.259	R760343-776	<u>150,735</u>
Total WIA Youth Programs			<u>4,066,912</u>
Program Name:			
30% Exemplary Award	17.260	R692495-113	45,100
30% Exemplary Award	17.260	R760343-113	2,000
WIA Title I Dislocated Worker Formula #2	17.260	R760343-502	727,187
WIA Title I Dislocated Worker Recap	17.260	R760343-503	7,440
WIA Title I Dislocated Worker	17.260	R865479-502	1,508,254
WIA Title I Dislocated Worker	17.260	R865479-501	803,536
WIA Rapid Response #2	17.260	R760343-526	139,435
WIA Rapid Response	17.260	R865479-541	214,126
WIA Rapid Response	17.260	R865479-540	81,203
BSN Nursing	17.260	R760343-673	491,835
15% Construction Initiative	17.260	R760343-671	462,536
WIPA Project	17.260	R760343-757	92,338
Passed-Through California Labor Federation:			
WIA 15% Transit Training Grant	17.260	201673TT	<u>217,540</u>
Total WIA Dislocated Workers			<u>4,792,530</u>
Total Workforce Investment Cluster			<u>12,110,097</u>
Program Name:			
Navigator	17.261	R692495-739	<u>109,127</u>
Total Employment Service Programs			<u>109,127</u>
Total U.S. Department of Labor			<u>12,219,224</u>

The notes to schedule of expenditures of federal and state awards are an integral part of this statement.

SACRAMENTO EMPLOYMENT AND TRAINING AGENCY
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2008

	<u>CFDA#</u>	<u>Grant Number</u>	<u>Expenditures</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed-Through California Department of Social Services:			
Program Name:			
Targeted Refugee Assistance Program	93.584	TAFO 0503	\$ 430,640
Targeted Refugee Assistance Program	93.584	TAFO 0603	1,143,508
Targeted Refugee Assistance Program	93.584	TAFO 0702	<u>162,991</u>
Total Targeted Refugee Assistance Program			<u>1,737,139</u>
Program Name:			
Refugee Employment Social Services	93.566	RESS 0607	1,104,635
Refugee Employment Social Services	93.566	RESS 0706	<u>444,388</u>
Total Refugee Employment Social Services			<u>1,549,023</u>
Passed-Through California Department of Community Services and Development:			
Program Name:			
Community Services Block Grant	93.569	06F-4735	851,791
Community Services Block Grant	93.569	08F-4634	1,100,875
Community Services Block Grant	93.570	07F-4824	<u>55,840</u>
Total Community Service Block Grant			<u>2,008,506</u>
Direct Program:			
Program Name:			
Head Start / Early Head Start	93.600	09CH0012/2007	3,646,569
Head Start / Early Head Start	93.600	09CH0012/2008	<u>42,661,543</u>
Total Head Start			<u>46,308,112</u>
Total U.S. Department of Health and Human Services			<u>51,602,780</u>
Total Expenditures of Federal Awards			<u>\$ 65,506,971</u>

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SACRAMENTO EMPLOYMENT AND TRAINING AGENCY

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS FOR THE YEAR ENDED JUNE 30, 2008

	<u>CFDA#</u>	<u>Grant Number</u>	<u>Expenditures</u>
CALIFORNIA STATE GENERAL FUND			
Passed-Through California Department of Education:			
Program Name:			
General Child Care Infant/Toddler	N/A	CCAP-7294	\$ 5,043
General Child Care	N/A	CCTR-7289	2,060,713
General Child Care	N/A	CCTR-7290	586,834
General Child Care	N/A	CCTR-7291	290,024
General Child Care Instructional Material	N/A	CIMS-7445	3,464
General Child Care	N/A	CPRE-7288	<u>1,006,524</u>
Total General Child Care			<u>3,952,602</u>
TOTAL OF ALL AWARDS			<u>\$ 69,459,573</u>

SACRAMENTO EMPLOYMENT AND TRAINING AGENCY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS FOR THE YEAR ENDED JUNE 30, 2008

1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal and State Awards of Sacramento Employment and Training Agency (SETA) is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Actual expenditures of the Agency differ from the amounts presented in this schedule by SETA's in-kind match of \$16,077,536.

2. PASS-THROUGH AWARDS

Federal assistance provided to subrecipients is treated as an expenditure when it is paid to the subrecipient and is summarized as follows:

<u>Program</u>	<u>Federal CFDA Number</u>	<u>Amount Provided to Subrecipients</u>
Head Start	93.600	\$ 18,258,879
Workforce Investment Act Cluster	17.258, 17.259, 17.260	5,683,311
Refugee Employment Social Services	93.566	1,183,339
Targeted Refugee Assistance	93.584	1,205,807
Community Services Block Grant	93.569	765,600
Youth Crime Prevention	16.241	<u>226,540</u>
Total		\$ <u>27,323,476</u>

SACRAMENTO EMPLOYMENT AND TRAINING AGENCY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS FOR THE YEAR ENDED JUNE 30, 2008

3. SUPPLEMENTAL STATEMENTS OF REVENUE AND EXPENDITURES AS REQUIRED BY THE CALIFORNIA DEPARTMENT OF COMMUNITY SERVICES AND DEVELOPMENT

Contract No. 06F-4735

	<u>1/1/07-6/30/07</u>	<u>7/1/07-12/31/07</u>	<u>Total</u>
Revenue			
Grant revenue	\$ <u>913,758</u>	\$ <u>573,919</u>	\$ <u>1,487,677</u>
Expenditures			
Salaries and wages	196,008	110,326	306,334
Fringe benefits	59,690	18,512	78,202
Travel	-	-	-
Operating expenses & equipment	53,180	79,986	133,166
Subcontractors	265,560	492,839	758,399
Other costs	<u>61,448</u>	<u>150,128</u>	<u>211,576</u>
Total Expenditures	<u>635,886</u>	<u>851,791</u>	<u>1,487,677</u>
Excess (deficiency) of revenues over (under) expenditures	\$ <u>277,873</u>	\$ <u>(277,873)</u>	\$ <u>-</u>

Contract No. 07F-4824

	<u>4/1/07-9/30/07</u>	<u>10/1/07-3/31/08</u>	<u>Total</u>
Revenue			
Grant revenue	\$ <u>18,858</u>	\$ <u>51,142</u>	\$ <u>70,000</u>
Expenditures			
Salaries and wages	19,394	18,051	37,445
Fringe benefits	4,859	446	5,305
Travel	-	-	-
Operating expenses & equipment	-	-	-
Subcontractors	-	-	-
Other costs	<u>13,955</u>	<u>13,295</u>	<u>27,250</u>
Total Expenditures	<u>38,208</u>	<u>31,792</u>	<u>70,000</u>
Excess (deficiency) of revenues over (under) expenditures	\$ <u>(19,350)</u>	\$ <u>19,350</u>	\$ <u>-</u>

SACRAMENTO EMPLOYMENT AND TRAINING AGENCY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2008

A. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness identified? ☒ Yes ☐ No
- Significant deficiencies identified that are not considered to be material weaknesses? ☐ Yes ☒ None reported
- Noncompliance material to financial statements noted? ☐ Yes ☒ No

Federal Awards

Type of auditor's report issued: Unqualified

Internal control over major programs:

- Material weaknesses identified? ☐ Yes ☒ No
- Significant deficiencies identified that are not considered to be material weaknesses? ☐ Yes ☒ None reported
- Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? ☐ Yes ☒ No

Identification of major programs:

<u>Name of Federal Program or Cluster</u>	<u>CFDA Number</u>
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Head Start Program	93.600
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Dollar threshold used to distinguish between Type A and Type B programs: \$1,965,209

Auditee qualified as low-risk auditee? ☐ Yes ☒ No

SACRAMENTO EMPLOYMENT AND TRAINING AGENCY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2008

B. FINDINGS – AUDIT OF FINANCIAL STATEMENTS

08-1 MATERIAL WEAKNESS – RECONCILIATION OF SEFA & GENERAL LEDGER

Condition:

During 2008, in response to a finding from the prior year audit, we noted that SETA has implemented procedures to prepare and reconcile the Schedule of Expenditures of Federal and State Awards (SEFA) on a quarterly basis to the general ledger. This process includes reconciling the SEFA to grant claims and making adjustments as deemed necessary.

Although the new process did reduce the quantity and amount of differences identified compared to the prior year audit, material adjustments were still necessary to the SEFA based on audit inquiry and therefore still indicates that there is a material weakness in the reconciling process performed during SETA's year-end close.

Recommendation:

Given the number of adjustments still necessary in the current year, we recommend that SETA evaluate their new process and determine if the reconciliation procedures should be modified or added to make it more effective.

Management Response:

SETA implemented new procedures for reconciliation of the SEFA to the general ledger in 2008. Due to staff turnover and the new procedures there were some inconsistencies in this process. SETA is reviewing and modifying the reconciliation process to add more detailed procedures to the reconciliation process to insure that it is completed in a more accurate and timely manner. ✓

C. FINDINGS AND QUESTIONED COSTS – AUDIT OF MAJOR FEDERAL AWARDS PROGRAMS

None

SACRAMENTO EMPLOYMENT AND TRAINING AGENCY

STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2008

D. STATUS OF PRIOR YEAR AUDIT FINDINGS

07-1 MATERIAL WEAKNESS – RECONCILIATION OF SEFA & GENERAL LEDGER

Condition:

In accordance with contracts regulated by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations*, SETA is required to prepare the Schedule of Expenditures of Federal and State Awards (SEFA). The SEFA reports revenue, expenditures, receivables and deferred revenue recorded in the general ledger for federal and state grants and is a required supplemental schedule to the audited financial statements. As the SEFA is considered a summary schedule of current year federal and state grant activity, the reconciliation of this schedule to the general ledger is considered a necessary step in the closing process of SETA. During our audit, we found unreconciled differences between the SEFA and the general ledger. We requested that management prepare a reconciliation of the information which lead to various revisions of the SEFA and various adjustments to the general ledger.

Under current auditing standards, we must consider whether adjustments generated through the auditing process are representative of a control deficiency in SETA's ability to produce financial statements in accordance with generally accepted accounting principles. Although these entries were prepared by management, the identification of these discrepancies came through audit inquiry and is considered indicative of a material weakness in the reconciling process performed during SETA's year-end close.

Recommendation:

We recommend that management prepare and reconcile the SEFA, at a minimum quarterly, to timely identify errors in reporting or classifications that may result in adjustments to SETA's financial records.

Current Year Status:

Partially implemented. See Current Year Finding at 08-1.

SACRAMENTO EMPLOYMENT AND TRAINING AGENCY

STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2008

07-2 MATERIAL WEAKNESS – YEAR-END ADJUSTMENTS

Condition:

A significant amount of SETA's federal funding is passed-through to subrecipients. These subrecipients are required to submit claims to SETA to receive reimbursement for expenditures incurred. However, due to the timing of when the claims are received and when SETA performs its year-end close, SETA calculates estimates for the accruals for claims that have not yet been submitted by the subrecipients. Historically, the differences between the estimates accrued and the actual claims submitted by the subrecipients have been significant and audit adjustments to the financial statements were required.

As part of SETA's preparation of the 2007 financial statements, we recommended that closing procedures included a reconciliation of estimated accruals to the actual claims submitted to SETA for reimbursement. This reconciliation would therefore enable management to identify any significant differences during the closing process and make the necessary adjustments to the financial statements. During the audit, we noted that reconciliation had not been performed for the Head Start program which resulted in a significant adjustment increasing accounts payables and expenditures by approximately \$1.2 million. The occurrence of significant adjustments subsequent to management's close of the financial records indicates the existence of a control deficiency in the closing process. The existence of these errors indicates that there is more than a remote possibility that a misstatement that is considered material would not be detected by management's control process.

Recommendation:

We recommend that the management of SETA review the existing closing and reconciliation process for accounts payable to determine its effectiveness and add procedures as deemed appropriate to help ensure that these types of adjustments are captured in the year-end close.

Current Year Status:

Recommendation Implemented.